



STATE OF MAINE
MAINE REVENUE SERVICES
P.O. Box 1067
AUGUSTA, MAINE
04332-1067

ADMINISTRATIVE & FINANCIAL SERVICES

REBECCA M. WYKE
COMMISSIONER

JEROME D. GERARD
ACTING EXECUTIVE DIRECTOR

JOHN ELIAS BALDACCI
GOVERNOR

PRESS RELEASE

PUBLIC COMMUNICATIONS

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For Information, Call

MRS: (207) 626-8475

IRS: (617) 316-2224

FEDERAL/STATE INCOME TAXES AND "OPERATION IRAQI FREEDOM"

AUGUSTA, Maine...Jerome Gerard, Acting Executive Director of Maine Revenue Services and Mary S. Durgin, IRS Compliance Territory Manager announced today that a number of federal and state income tax provisions for Maine taxpayers serving in "Operation Iraqi Freedom" will be affected by the designation of parts of the Persian Gulf and other areas as a combat zone. Expressing his approval of this cooperative effort, Governor John Baldacci said, "I am pleased that Maine Revenue Services and the IRS are able to work together to ensure members of our military will not have to worry about filing their tax returns while they are serving overseas."

Members of the armed forces and support personnel serving in Iraq or elsewhere in the combat zone, and their spouses, will not have to file 2002 federal and state income tax returns until **180 days** after leaving the combat zone. **No penalties or interest will be charged during this period on any tax due for 2002.**

In addition, enlisted personnel, warrant officers and commissioned warrant officers can exclude the following amounts from their income: active duty pay earned in any month served in the combat zone; imminent danger/hostile fire pay; reenlistment bonus if the voluntary extension or reenlistment occurs in a month served in the combat zone; pay for accrued leave earned in a month served in the combat zone; pay received for duties as a member of the Armed Forces in clubs, messes, post and station theaters and other nonappropriated fund activities earned in a month served in the combat zone; awards for suggestions, inventions or scientific achievements due to a submission made in a month served in the combat zone; and student loan repayments attributable to the period of service in the combat zone. See IRS Publication 3, "Armed Forces' Tax Guide" for details. The guide can be downloaded from the IRS Web site at www.irs.gov or can be ordered by calling toll-free 1-800-829-3676.

Both the IRS and Maine Revenue Services will suspend all tax return examinations and actions to collect any back taxes owed by members of the Armed Forces serving in the combat zone. The accrual of further penalties and interest will be suspended as well.

For federal purposes only, if a member of the armed forces dies while serving in the combat zone, no income tax is due for the year of death or any prior year in which the person served in the combat zone, and any unpaid tax for years prior to service in the combat zone is forgiven.

Taxpayers in the combat zone, or their representatives or spouses, who receive correspondence from the IRS or Maine Revenue Services, should contact the Agency immediately. The IRS can be reached by calling 1-800-829-1040; Maine Revenue Services can be reached by calling 207-626-8475.